

Message Text

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C O N F I D E N T I A L BRUSSELS 2032

LIMDIS - GREENBACK

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652 GDS

TAGS: EFIN, BE

SUBJECT: GOLD SALES AMONG COMMON MARKET CENTRAL BANKS

REF: EC BRUSSELS 1808

1. A SENIOR BNB OFFICIAL (HARNOULD) REPORTS THAT THE BELGIAN NATIONAL BANK (BNB) IS OPPOSED, IN PRINCIPLE, TO ANY "COMMUNITY" SYSTEM PROVIDING FOR A RISE IN THE PRICE OF GOLD AND ITS USE FOR SETTLEMENTS AMONG EC CENTRAL BANKS. THE BNB STILL BELIEVES THAT ONLY A NEW SYSTEM OF FIXED PARITIES, ACCEPTED BY ALL MAJOR TRADING NATIONS, STANDS ANY LONG TERM CHANCE OF RESTORING ORDER TO THE WORLD'S MONETARY SYSTEM. ONLY WHEN SUCH ORDER IS RESTORED, WILL CENTRAL BANKS AGAIN BE ABLE TO USE GOLD IN A RESPONSIBLE BUT EFFECTIVE MANNER. TEMPORARY, PARTIAL OR REGIONAL SOLUTIONS APPEAR TO BELGIAN CENTRAL BANKERS AS FOREDOOMED TO FAILURE.

2. ACCORDING TO HARNOULD, THE ONLY SUGGESTION IN THE EC TODAY ON GOLD SETTLEMENT WHICH HAS STRUCK EVEN A MILDLY RESPONSIVE CORD AT THE BELGIAN CENTRAL BANK IS ONE IN WHICH
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THERE WOULD BE A REPURCHASE OPTION AT AN AGREED PRICE.

IN OTHER WORDS, THE BUYING CENTRAL BANK WOULD AGREE TO
SELL THE GOLD BACK (ON DEMAND) TO THE SELLING BANK AT A
PRICE AGREED UPON AT THE TIME OF FIRST SALE. BELGIAN
CENTRAL BANKERS BELIEVE THAT THIS WOULD BE MERELY A
COSMETIC SYSTEM BECAUSE IT WOULD SIMPLY DELAY FINAL
SETTLEMENT OF A DEFICIT UNTIL SOME INDEFINITE DATE IN
THE FUTURE, PRESUMABLY WHEN AN "OFFICIAL" PRICE ON GOLD
IS AGAIN SET. IF BELGIUM'S EC PARTNERS WANT SUCH
COSMETICS, HOWEVER, THE BELGIANS MIGHT GO ALONG. STRAUZ-HUPE

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